

FUTURES THROUGH CHOICES, INC.
FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
YEAR ENDED JUNE 30, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Futures Through Choices, Inc.
Bountiful, Utah

We have audited the accompanying statement of financial position of Futures Through Choices, Inc. (A non-profit corporation) as of June 30, 2005 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Futures Through Choices, Inc. as of June 30, 2005, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2005 on our consideration of Futures Through Choices' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Wood Richards & Associates

Ogden, Utah
September 27, 2005

FUTURES THROUGH CHOICES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2005

ASSETS

Cash	\$ 779,539
Investments	801,565
Accounts Receivable	811,599
Prepaid Expenses and Deposits	71,814
Note Receivable - Related Party	46,000
Property and Equipment	775,588
Accumulated Depreciation	<u>(495,741)</u>
Total Assets	<u>\$ 2,790,364</u>

LIABILITIES

Accounts Payable	\$ 100,054
Accrued Expenses	<u>489,025</u>
Total Liabilities	<u>589,079</u>

NET ASSETS

Unrestricted:	
Designated	979,847
Available	<u>1,221,438</u>
Total Net Assets	<u>2,201,285</u>
Total Liabilities and Net Assets	<u>\$ 2,790,364</u>

See accompanying notes to financial statements.

FUTURES THROUGH CHOICES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

CHANGES IN UNRESTRICTED NET ASSETS**Revenue and Support**

D.S.P.D.	\$ 5,340,128
Supported Employment Revenue	182,906
Supported Living Revenue	386,859
DFS Revenue	797,403
Youth Corrections	94,625
Other Program Revenue	155,826
Client Rent	358,935
Interest and Dividends	<u>33,853</u>

Total Unrestricted Revenue and Support 7,350,535

Expenses**Program Services:**

Residential for the Disabled 6,572,684

Support Services:

General and Administrative 676,581

Total Expenses 7,249,265

Change in Unrestricted Net Assets 101,270

Net Assets at Beginning of Year 2,100,015

Net Assets at End of Year \$ 2,201,285

See accompanying notes to financial statements.

FUTURES THROUGH CHOICES, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:**Cash Received From:**

State of Utah - D.S.P.D.	\$ 5,149,377
Supported Employment Revenue	182,906
Supported Living Revenue	386,859
DFS Revenue	797,403
Youth Corrections	94,625
Other Program Revenue	155,826
Client Rent	358,935
Interest and Dividends	33,853

Cash Paid To:

Employees	(4,612,381)
Suppliers and Contractors	(2,608,847)
Net Cash From Operating Activities	<u><u>(61,444)</u></u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of Investments	(254,000)
Acquisition of Property and Equipment	(145,024)
Net Cash From Investing Activities	<u><u>(399,024)</u></u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Note Receivable - Related Party	(46,000)
Net Cash From Financing Activities	<u><u>(46,000)</u></u>

Net (Decrease) in Cash (506,468)

Cash, Beginning of Year 1,286,007

Cash, End of Year \$ 779,539

**RECONCILIATION OF INCREASE IN NET ASSETS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES:**

Increase in Net Assets \$ 101,270

**ADJUSTMENT TO RECONCILE INCREASE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Depreciation	63,398
Changes in Operating Assets and Liabilities:	
Accounts Receivable	(190,751)
Prepaid Expenses and Deposits	(9,493)
Accounts Payable	8,142
Accrued Expenses	(34,010)

Total Adjustments (162,714)

Net Cash Provided by Operating Activities \$ (61,444)

See accompanying notes to financial statements.

**FUTURES THROUGH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Futures Through Choices, Inc. was incorporated on July 1, 1995 for the purpose of providing residential facilities and training for developmentally disabled/mentally retarded persons. Assets were transferred from a not-for-profit corporation (the Private Industry Council) to Futures Through Choices, Inc. These transfers followed the guidelines of Utah and Internal Revenue Service laws and regulations.

Basis of Accounting

The Corporation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property, Equipment and Depreciation

Property and equipment are carried at cost. Expenditures for property and equipment are capitalized. Depreciation is provided using the straight-line method at rates based on estimated useful lives.

Income Taxes

Futures Through Choices, Inc. is exempt from federal income taxes; under Section 501(c)(3) of the Internal Revenue Code. Futures Through Choices, Inc. is also exempt from Utah income taxes, and therefore, has made no provision for federal or state income taxes.

**FUTURES THROUGH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

A. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates. The corporation does not believe that any of its accounts receivable will prove uncollectible. Accordingly, a reserve for bad debts has not been recorded.

B. CASH

The Corporation's cash is categorized below to give an indication of the level of risk assumed by the Corporation at year end. At year end, the carrying amount of the Corporation's deposits was \$779,539 and the bank balance was \$819,125.

	<u>Insured (FDIC)</u>	<u>Uninsured</u>	<u>Total Carrying Amount</u>
Cash in bank	<u>\$100,000</u>	<u>\$679,539</u>	<u>\$779,539</u>

C. INVESTMENTS

The Corporation's investments at June 30, 2005 consist of 5 year certificates of deposit recorded at market value as summarized below:

<u>Fund</u>	<u>Share Balance</u>	<u>Value per Share</u>	<u>Market Value</u>
America First Credit Union (CD)	N/A	N/A	599,253
Weber State Credit Union (CD)	N/A	N/A	<u>202,312</u>
			<u>\$801,565</u>

Certificates mature in April of 2010.

D. PROPERTY AND EQUIPMENT

Leasehold improvements	\$171,006
Furniture and equipment	<u>604,582</u>
	<u>\$775,588</u>

**FUTURES THROUGH CHOICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

E. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

F. REVENUES

The Corporation receives approximately 75% of its revenue from the Utah Division of Services for People with Disabilities (D.S.P.D.). Currently, the Corporation is servicing approximately 143 individuals at 25 residential sites.

G. DEFINED CONTRIBUTION PLAN

The Corporation has a defined contribution plan covering all employees after they have worked for one year and at least 1,000 hours. The Corporation matches 75% of the employee's contribution, not to exceed \$3,000 in one year. As of June 30, 2005 there were 19 employees receiving a matching benefit. The total employer contribution for the year ended June 30, 2005 was \$21,945.

H. DESIGNATIONS OF UNRESTRICTED NET ASSETS

It is the policy of the Board of Directors of the corporation to review its capital needs on an annual basis. The purpose of these designations is to assure adequate financing for ongoing needs and future plans. The Board has approved the following designations:

Property and Equipment	\$279,847
Working Capital	500,000
Capital Equipment Replacement	100,000
New Program Development	<u>100,000</u>
Total Designated	<u>\$979,847</u>

I. RELATED PARTY TRANSACTIONS

The Corporation leases five buildings from KT&T, a not-for-profit organization. KT&T and the Corporation are related through common management. The nonprofit purpose of KT&T is to provide low income housing for developmentally disabled individuals. The Corporation pays monthly rent of \$6,916 on these six buildings.

The Corporation also leases four other properties from LCCS (Life Choices & Counseling Services) a not-for-profit organization. The Corporation and LCCS are related through common management. The nonprofit purpose of LCCS is to provide low-income housing for developmentally disabled individuals. The corporation pays rent for these four properties of \$5,797 per month.

The Corporation has loaned \$46,000 to Futures Through Training, Inc, a not-for-profit organization. The Corporation and Futures Through Training, Inc. are related through common management. There are no defined terms with this agreement.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Futures Through Choices, Inc.
Bountiful, Utah

We have audited the financial statements of Futures Through Choices, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Futures Through Choices internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Futures Through Choices financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
September 27, 2005
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This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, UT
September 27, 2005

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

Futures Through Choices, Inc.
Bountiful, Utah

We have audited the financial statements of Futures Through Choices, Inc., a nonprofit corporation, for the year ended June 30, 2005, and have issued our report thereon dated September 27, 2005. As part of our audit, we have audited Futures Through Choice's compliance with the requirements of the provider contracts determined to be major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. Futures Through Choices received the following major assistance programs from the State of Utah:

DSPD Services
DFS Services
Youth Corrections

The management of Futures Through Choices is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Futures Through Choices' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Futures Through Choices complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended June 30, 2005.

Wood Richards & Associates

September 27, 2005